BRITISH COLUMBIA
The Best Place on Earth

BCStats

Infoline

Contact: bcstats.infoline@gov.bc.ca Issue: 08-15 April 11, 2008

- **BC exports advance 8.2% in February, the highest increase since December 2006**
- **Housing starts in the province down 33.4% in March**
- **Building permits increase 16.1% in February**

The Economy

- **The value of BC exports rose 8.2% (*seasonally adjusted*) in February, the highest month-over-month growth since December 2006.** Exports to the US were up 9.5%, ending a downturn that began last May. The increase in US-bound exports was fuelled by a surge in energy (+33.2%) and industrial & consumer (+11.0%) products. Shipments to other countries (+6.4%) were also higher in February, with double-digit gains in three of the five major commodity groups.

  Canadian exports (+3.8%) continued to increase in 2008 as all principal commodity groups except special transactions (-0.5%) posted gains, most notably automotive products (+11.4%).

  Data Source: Statistics Canada & BC Stats

- **Housing starts in the province fell 33.4% (*seasonally adjusted*) in March ending two months of double-digit growth.** The Vancouver area (-47.4%) experienced a significant downturn as multiple-unit starts plummeted (-55.1%). Although starts of single-detached dwellings in urban areas of the province were up 5.3%, there was a significant decline (-47.8%) in multiple-unit construction.

  Nationally, housing starts dipped (-0.4%) as PEI (-50.0%), Manitoba (-17.0%), Quebec (-14.8%) and Ontario (-2.1%) saw a decline in new building activity. However, starts more than doubled in Nova Scotia (+125.0%) and Alberta (+52.1%) also posted substantial growth. *Data Source: CMHC*

- **New housing prices continued to rise in BC's largest metropolitan areas in February.** In Vancouver, the New Housing Price Index (NHPI) was 6.6% higher compared to the same month of 2007 as both housing (+6.8%) and land (+6.0%) costs increased. A drop in building prices (-3.6%) in Victoria was not enough to offset a double-digit increase in the cost of land (+11.1%) as new housing prices increased 1.6%.

  Nationally, new housing prices were up 6.2% reflecting strong growth in Newfoundland, Nova Scotia and Saskatchewan. All metropolitan areas experienced higher new housing prices in February, with Saskatoon (+58.3%) and Regina (+28.6%) leading the pack.

  Data Source: Statistics Canada

- **The value of building permits issued by municipalities in BC totalled $945 million in February, up 16.1% (*seasonally adjusted*) from the previous month.** The value of residential permits expanded 15.1% on the heels of an 11.7% decrease in January. The non-residential sector (+19.9%) also posted gains as a jump in industrial (+113.6%) and institutional (+92.2%) permits counteracted a decline in the commercial sector (-7.5%).

  The province's major urban centres, including Victoria (+37.3%) and Kelowna (+11.8%), experienced double-digit growth in building permits. However, the value of planned building projects in Vancouver (+5.3%) increased at a slower pace, while construction intentions in Abbotsford (-50.6%) plummeted.

  Nationally, Newfoundland (+48.3%), PEI (+23.6%) and Nova Scotia (+17.2%) led the country in growth. However, gains in seven provinces were offset by a significant reduction in Ontario (-16.0%), as non-residential permits (-44.9%) were down sharply. Overall, the value of Canadian building permits fell 1.0% in February.

  Data Source: Statistics Canada

- **The province's food services and drinking places industry recorded a 5.2% increase (*sea-*

Report BC Commodity Exports: Year in Review 2007

Did you know...
Canadian youth aged 14 to 18 spend a higher proportion (5%) of their budget on foreign aid than the federal government (2%). *Source: Ipsos Canada*

***sonally adjusted*) in sales during the first month of 2008.** Drinking places were busier and revenues at food service establishments rebounded in January following declines in the previous two months. *Data Source: Statistics Canada*

Education

- **The high school dropout rate in Canada has been falling.** The dropout rate, defined as the proportion of 20-to-24-year-olds who did not complete high school and are not attending classes, declined from 21% to 14% for men and 16% to 9% for women between the 1990/91 and 2004/05 academic years. A higher proportion (22%) of women returned to school in 2004/05 compared to their male counterparts (16%). Men were more likely to return to school if they had dropped out in grade 12 as opposed to an earlier grade, were enrolled in a college or university preparation math course, and one of their parents had a postsecondary education diploma or degree. However, having a child, working one week per month, or not working at all negatively affected the decision to return to school. For women, the emphasis placed on education in the home was also a factor, as being unaware of their parent's education level reduced the likelihood of returning to school. In addition, the longer a woman was out of high school the less likely she was to return.
Data Source: SC Cat. # 81-595-MIE2008055

Gambling

- **Gambling participation in British Columbia continues to decline.** According to a 2007 survey of 3,000 BC residents, close to three-quarters (73%) indicated that they had bet or spent money on at least one gambling activity during the past 12 months. This represented a 12 percentage-point drop from 2002 (85%) and continued a downward trend from surveys conducted in 1996 (91%) and 1993 (94%). Participation declined for most gambling activities, including charity raffles (-17 percentage points), lottery games (-15), sports outcomes (-9), horse racing (-4) and casino gambling (-2). Private game betting (+2) and Internet gambling (+1) were the only activities to show slight increases over the 2002 results. In addition, gambling participation is linked to household income, as a significantly higher proportion (83%) of respondents with an annual income of $100,000 or more gambled compared to those who earned less than $30,000 (62%).

  An estimated 159,000 British Columbians, or 4.6% of the population, are moderate or severe problem gamblers. Although the overall prevalence of problem gambling remained unchanged from the 2002 survey, the BC rate is among the highest in the country. Alberta (5.2%) and Saskatchewan (5.9%) are the only provinces that have higher rates of problem gambling than BC. *Data Source: Ministry of Public Safety & Solicitor General*

The Nation

- **Canadian retailers had another strong year in 2007, as retail sales reached $413.4 billion (+5.8%).** Across all commodity groups, automotive fuels, oils & additives (+11.3%) showed the strongest growth in 2007, likely reflecting rising fuel costs. Sales of health & personal care products (+8.5%) were driven by a significant increase in prescription drug purchases (+10.7%), while furniture, home furnishings & electronics (+7.3%) also showed substantial growth.

  Overall, of every $100 of goods and services purchased in retail stores last year, consumers spent the most on food & beverages ($21), motor vehicles, parts & services ($21) and automotive fuels, oils & additives ($10).

  Data Source: Statistics Canada

Oops!

Last week's Infoline report "Eat, Drink and Be Merry: BC's Food Services and Drinking Places Industry" (Issue 08-14) contained an error. Specifically, the third sentence of the first paragraph should have read as follows:

Overall, BC ($2,163) has the second highest **per household** consumption of food and alcohol purchased from restaurants **and licensed premises** in Canada. Also, the title of the graph should have read "restaurants **and licensed premises**".

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April 11, 2008

For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

Infoline Report

Contact: Dan Schrier
(250) 387-0376
Originally published in
Exports Issue 08-01

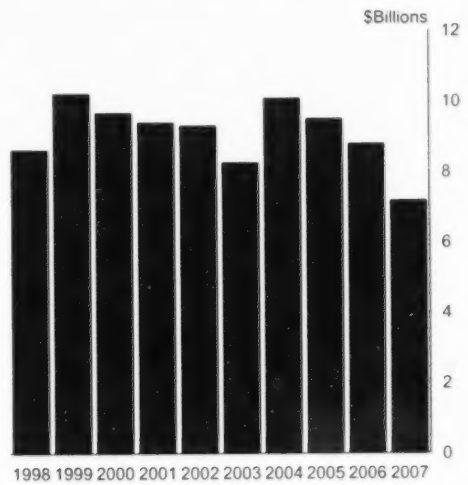
BC Commodity Exports: Year in Review 2007

Exporters in British Columbia faced a number of challenges in 2007, including a Canadian dollar that reached par with its American counterpart, a slump in demand for forest products and falling prices for coal and natural gas. Although the dollar was a problem for exporters across the country, particularly in Central Canada's manufacturing belt, the 6.0% decline in the value of BC origin exports was the worst performance among the provinces.

Quebec (-2.8%) and PEI (-2.5%) were the only other provinces to experience a drop in the value of exports between 2006 and 2007 as overall Canadian exports actually climbed 1.8%. The better performance in manufacturing-intensive provinces such as Ontario (+0.1%) and Quebec was due to stronger exports from the resource sectors. For example, in Ontario, there was an 80% increase in exports of metallic mineral products (mainly nickel), which helped offset much of the decline elsewhere. The story was the same in Quebec where higher mineral and energy exports partially offset falling shipments elsewhere.

One of the main drivers of the slump in the value of BC exports was a double-digit drop in shipments of solid wood products (-18.4%). The most significant component of this decline was falling demand for building products in the United States as a consequence of a collapse in the housing market stemming from the sub-prime mortgage crisis. A significant number of consumers in the United States were encouraged to buy homes beyond their means with mortgages that had initial "teaser" rates below the prime rate. When the term for the temporary rates expired and the higher rates kicked in, many of these home buyers found they could no longer afford the payments and have subsequently had to default on their homes. The housing market in the US has been flooded with homes as a result of overbuilding due to the demand built up from these sub-prime mortgage deals, as well as the influx of the defaulted homes. As a result, housing prices are down and housing starts have fallen dramatically, which in turn has reduced the demand for building products.

BC exports of wood products slumped dramatically as a result of a fall in demand for building products



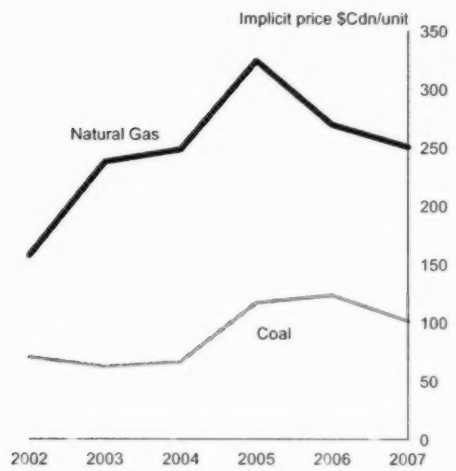
Source: Statistics Canada

The outlook for BC's forest sector in 2008 does not appear to hold much promise of a turnaround as the peak of the expiration of the teaser rates is only just now occurring. Even if there isn't a further round of loan defaults, housing starts in the United States are not expected to recover any time soon as there is currently a surfeii of houses on the market. This implies that unless BC wood producers can find alternative markets for their product, they can likely look forward to another lean year.

Elsewhere in the forest sector, a 17.0% surge in shipments of pulp helped offset a 28.2% plunge in exports of newsprint, such that overall pulp and paper exports were up 7.0% in 2007. The outlook for pulp remains positive in 2008 as demand from China, which is now BC's top customer for pulp, persists. However, the prospects for newsprint are rather grim as more advertisers are switching to digital media and demand continues to decline.

Another area where BC's exports have dropped is the energy sector. The value of exports of energy products fell 5.2% in 2007 due to significant reductions for both natural gas (-14.3%) and coal (-13.1%). In both cases, falling prices played a major role in the decline. Some of the price decline was due to exchange rate effects, but even when priced in US dollars, there was a price reduction. For coal, the price difference was the sole reason for the lower returns from exports as the quantities shipped actually climbed 6.8%. For natural gas, the price drop was only part of the story as volumes shipped also fell (-6.7%).

Price declines for natural gas and coal have affected the value of BC's exports



Source: Statistics Canada
Note: Units are thousands of cubic metres for natural gas, metric tonnes for coal

The slump in the value of natural gas and coal shipments was partially mitigated by a 97.8% jump in exports of electricity and a 54.8% increase in other energy product exports (e.g., crude oil, fuel oil, etc.).

For 2008, the forecast is for natural gas prices to rise, which should result in a boost in the value of natural gas exports. For coal, demand remains strong from China, which is pushing global prices higher. As such, BC companies should be able to contract for higher prices, which should push the value of exports higher. As a result, overall BC energy exports should be relatively higher in 2008.

Elsewhere in the mining sector, a 31.3% plunge in shipments of copper ores and concentrates drove down overall exports of metallic mineral products (-4.9%), despite strong growth in the value of shipments of other metals. The slump in copper exports was likely due to a supply issue, rather than demand, which remains strong for the metal.

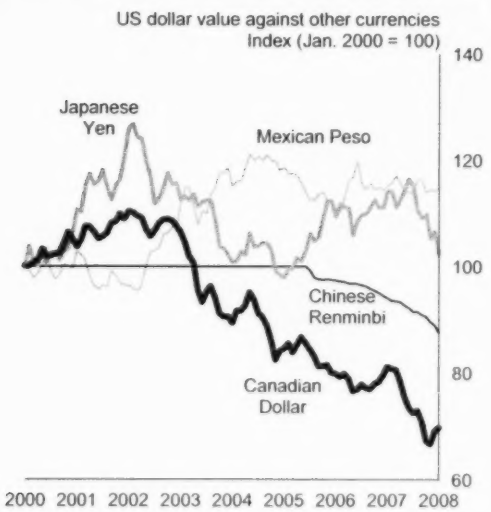
Production at a couple of BC's bigger mines, including its biggest—Teck Cominco's Highland Valley Copper mine—fell in 2007 as a result of lower ore grades. This could continue to be a problem through 2008, so unless there is increased production elsewhere, copper exports may not see much growth even though prices should remain high as supply continues to lag demand. Demand from China continues to be the driver for global metal prices; however, if the US drops into a recession, there could be some downward pressure on prices, which would affect BC's other metallic mineral exports.

One of the problems that continues to plague metal producers in Canada is that despite the run-up in prices, they are not seeing much benefit due to the appreciation of the Canadian dollar, which wipes out the gains from the higher prices. For Canadian manufacturers the higher dollar is of even greater concern as it will price their goods higher for American importers, which is likely to reduce demand. Given that the United States was the destination for 60% of BC's exports in 2007 and 79% of overall Canadian exports, the higher dollar could have serious repercussions for Canadian manufacturers. Although the US dollar has been depreciating against other currencies as well, the US has seen its currency fall far further relative to the Canadian loonie compared to the currencies of its other top trading partners.

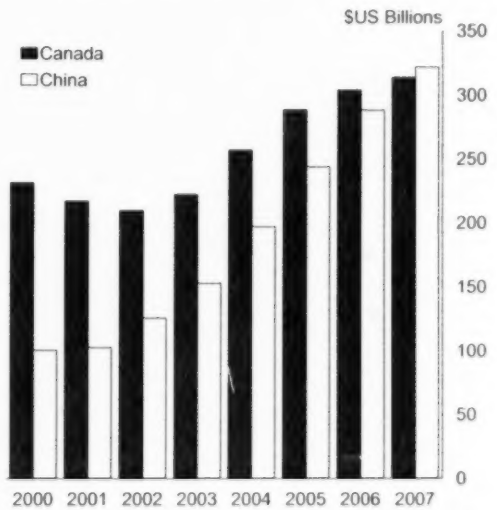
Between January 2000 and January 2008, the US greenback dropped 30% relative to the loonie, while it actually gained 2% against the Japanese yen and 15% against the Mexican peso (although it fell 11% against the yen between January 2007 and 2008). The Chinese renminbi was decoupled from the US dollar in mid-2005 and since that time the greenback has depreciated almost 13% against the Chinese currency. The renminbi is subject to a managed float that allows it to appreciate only so much per month, otherwise its appreciation against the US dollar would almost certainly be much greater given the current trade imbalance between the two countries.

In fact, imports of Chinese goods into the United States have risen at such a substantial rate that, in 2007, China surpassed Canada as the top source for imports into the US. The United States imported $US 321.5 billion worth of goods from China and $US 313.1 billion from Canada.

The US greenback has depreciated far more against the Canadian loonie compared to the currencies of the US's other top trading partners

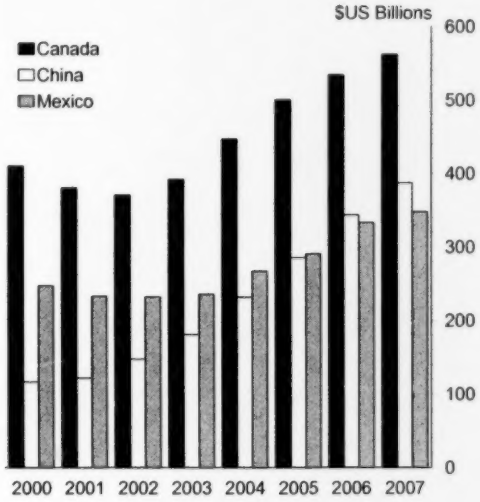


China has surpassed Canada as the top source of imports into the United States...



Source: US Department of Commerce

...but Canada is still top dog when it comes to two-way trade with the US



Source: US Department of Commerce

Nevertheless, Canada remains the United States' biggest trading partner as two-way commodity trade (i.e., exports plus imports) between Canada and the US far exceeds that of China or any other country.

Given Canada's ties to the American market, the relative value of the loonie against the greenback is of particular importance. The balance of opinion among economists appears to be that the dollar will hover at or near par for most of the year, with some predicting a slight decline and others believing there will be marginal growth. While this is quite a change from the rapid pace of growth in the last few years, it is of small consolation to Canadian manufacturers already struggling to compete. Nevertheless, if the dollar remains fairly stable, it will give Canadian producers more of a chance to adjust, by taking steps such as capital improvements or other efficiency measures.

At any rate, the dollar will continue to be a challenge for BC exporters in 2008 and beyond. The downturn in the US housing market will continue to hurt the forest sector, but it is possible that energy exports could pick up some of the slack. It remains to be seen if strength in other sectors will be enough to compensate for the likely weakness in solid wood exports and whether exports can rebound from a poor performance in 2007.

Infoline

April 11, 2008
Issue 08-15

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also on the **Internet** at www.bcstats.gov.bc.ca

BC at a glance . . .

POPULATION (thousands)	Jan 1/08	% change on one year ago
BC	4,414.0	1.5
Canada	33,143.6	1.1
GDP and INCOME (Revised Nov 8)		% change on
(BC - at market prices)	2006	one year ago
Gross Domestic Product (GDP) *($ millions)*	180,328	6.4
GDP *($ 2002 millions)*	158,335	3.3
GDP *($ 2002 per Capita)*	36,649	1.9
Personal Disposable Income *($ 2002 per Capita)*	24,051	5.2
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - Jan	3,370	-0.4
Merchandise Exports - Feb	2,552	8.2
Retail Sales - Jan	4,811	-0.2
CONSUMER PRICE INDEX	% change on	12-month avg
(all items - Feb 2008)	one year ago	% change
BC	1.1	1.5
Vancouver	1.3	1.8
Victoria	0.5	0.9
Canada	1.8	2.2
LABOUR FORCE (thousands)		% change on
(seasonally adjusted)	Mar '08	prev. month
Labour Force - BC	2,422	0.8
Employed - BC	2,318	0.6
Unemployed - BC	104	5.1
		Feb '08
Unemployment Rate - BC *(percent)*	4.3	4.1
Unemployment Rate - Canada *(percent)*	6.0	5.8
INTEREST RATES (percent)	Apr 9/08	Apr 11/07
Prime Business Rate	5.25	6.00
Conventional Mortgages - 1 year	7.15	6.60
- 5 year	7.19	6.64
US-CANADA EXCHANGE RATE	Apr 9/08	Apr 11/07
(avg. noon spot rate) Cdn $ per US $	1.0194	1.1450
(closing rate) US $ per Cdn $	0.9814	0.8773
AVERAGE WEEKLY WAGE RATE		% change on
(industrial aggregate - dollars)	Mar '08	one year ago
BC	761.02	2.4
Canada	767.70	4.4

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

The price is right

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www.bcstats.gov.bc.ca/releases/free_rel.asp

High Technology - 2007

Input Indicators of the British Columbia High Technology Sector - 2007 Edition

This publication highlights conditions affecting the province's high technology sector from a supply-side perspective by tracking 37 business and economic climate indicators for BC, with comparisons to other provinces.

www.bcstats.gov.bc.ca/data/bus_stat/busind/hi_tech.asp#HTpubs

Topic Tables – 2006 Census

What are the top languages spoken at home in your community? Where were a community's immigrants born? A different approach.

www.bcstats.gov.bc.ca/data/cen06/topics/topics.asp

2007 Municipal Populations

Total population for municipalities and Regional Districts for July 1, 2007, as well as revised figures for 2002 to 2006, are now online.

www.bcstats.gov.bc.ca/data/pop/pop/estspop.asp

Released this week by BC Stats

- Labour Force Statistics, March 2008
- Tourism Sector Monitor, March 2008

Next week

- Exports, February 2008
- Consumer Price Index, March 2008

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